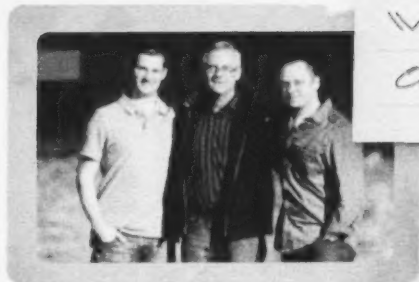




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WELCOME TO
OUR FAMILY



THE BC EGG FAMILY



he word "family" in the non-traditional sense, as defined in the dictionary, is "a group of people who are generally not blood relations but who share common attitudes, interests, or goals". An expanded version describes family as "a group of products made by the same manufacturer or producer".

In this annual report we introduce you to some members of the egg industry family: the farmer who raises the hens, the grader who inspects the eggs, and the processor who finds ways to convert eggs into alternative products that consumers use every day. You will learn about the efforts that farmers make to provide consumers with their choice of eggs, regardless of how

challenging they are to produce. You will hear the stories of a few individuals who touch our industry. You will discover what motivates young farmers to help preserve the farming lifestyle through the generations. You will learn about the attention to safety, what the words "certified" and regulated really stand for, and the high standards that egg farmers live by every day to protect hens and consumers.

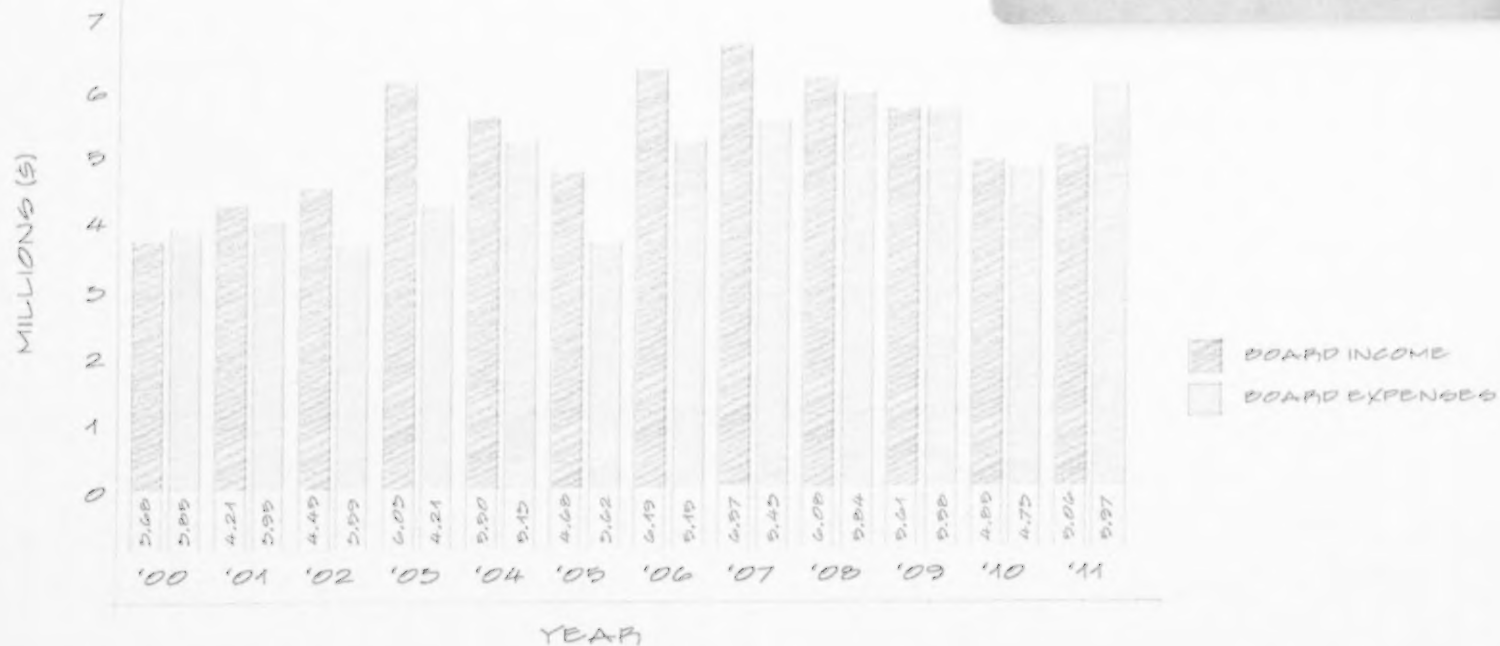
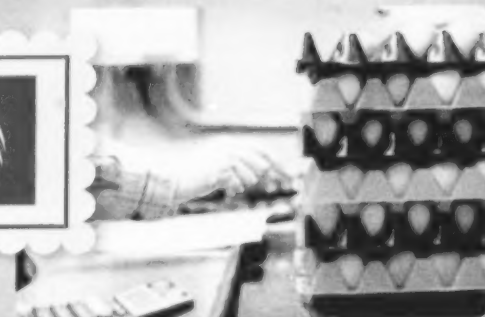
Each member of BC's regulated egg industry is part of a family drawn together by its commitment to providing products that live up to the Canadian Grade A standard – a guarantee for the best quality eggs for all Canadians. We hope you enjoy your tour of our family album.



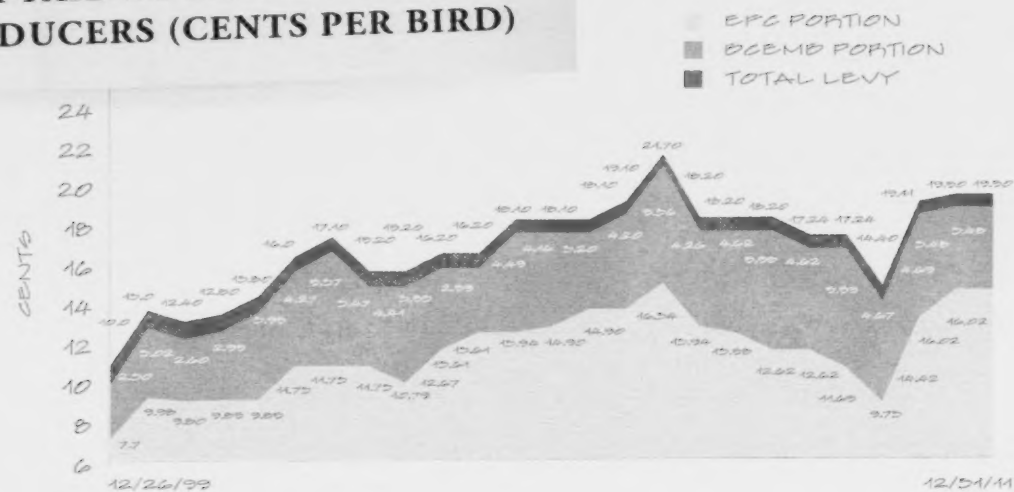
INDUSTRY AT A GLANCE



BOARD INCOME & EXPENSES



LEVY PAID BY REGISTERED PRODUCERS (CENTS PER BIRD)



DISTRIBUTION OF EXPENSES

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NET IP, PICKUP, FOWL	56.89	44.75	59.24	44.10	22.72	68.19	45.27	57.87	56.78	56.76	55.87	48.88
BOARD EXPENSES	13.27	10.56	15.94	15.12	12.52	19.17	11.48	15.53	12.46	15.67	15.74	14.57
NET MARKETING + COMMUNICATIONS	18.10	12.71	15.58	15.35	10.11	16.52	15.91	15.85	18.55	15.50	4.25	8.01
SALARIES	17.12	16.72	18.07	16.17	14.66	25.14	19.85	24.97	18.71	20.95	26.54	22.79
LEGAL + CONSULTING	2.63	2.86	3.91	3.14	3.55	4.05	4.61	5.51	4.54	4.84	4.77	3.84
OTHER	11.88	15.22	10.66	9.48	56.64	(25.65)	5.70	5.48	8.78	8.43	15.82	9.99
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

TOTAL EGG PRODUCTION

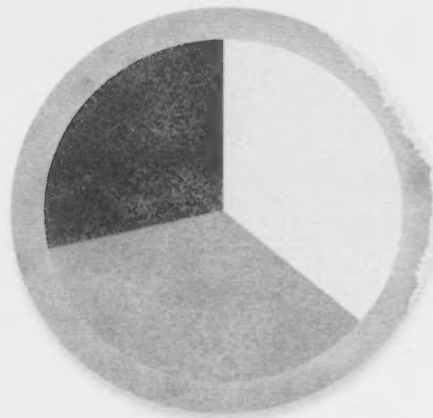


2010	CLASSIC WHITE	79.20%
	CLASSIC BROWN	8.82%
	ALL OTHER	11.97%

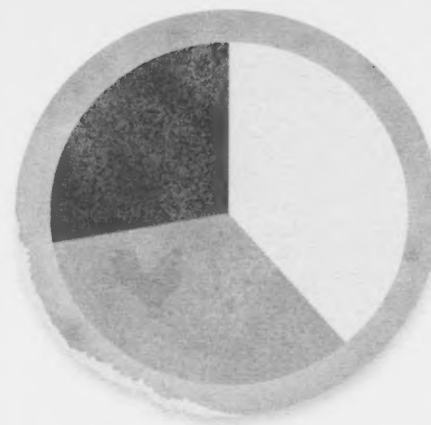


2011	CLASSIC WHITE	77.75%
	CLASSIC BROWN	9.25%
	ALL OTHER	13.00%

ALL OTHER EGG PRODUCTION

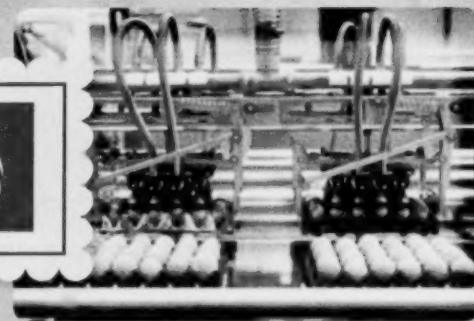


2010	FREE RUN	56.57%
	FREE RANGE	25.29%
	ORGANIC	28.54%



2011	FREE RUN	56.96%
	FREE RANGE	24.60%
	ORGANIC	28.44%

EGG BREAKOUT



2010

	DOZENS	DOLLARS
TOTAL EGGS	65,106,908	\$108,217,962
SPECIALTY:	7,795,471	\$19,261,268
FREE RUN	2,855,154	\$5,486,754
FREE RANGE	2,750,721	\$7,045,996
ORGANIC	2,209,596	\$6,728,518
REGULAR:	57,511,457	\$88,956,694
WHITE	51,566,414	\$79,846,808
BROWN	5,745,025	\$9,109,886

2011

	DOZENS	DOLLARS
TOTAL EGGS	70,595,175	\$127,568,170
SPECIALTY:	9,175,472	\$25,949,229
FREE RUN	5,591,426	\$7,029,510
FREE RANGE	3,174,477	\$8,590,276
ORGANIC	2,609,569	\$8,529,645
REGULAR:	61,219,701	\$105,618,941
WHITE	54,719,152	\$92,271,969
BROWN	6,500,549	\$11,546,976





AVERAGE BC
PRODUCER PRICES
CLASSIC WHITE
2004-2011

GRADE	'04	'05	'06	'07	'08	'09	'10	'11
JUMBO	\$1.68	\$1.68	\$1.61	\$1.68	\$1.78	\$1.72	\$1.73	\$1.96
EXTRA LARGE	\$1.71	\$1.65	\$1.64	\$1.71	\$1.81	\$1.75	\$1.82	\$1.92
LARGE	\$1.68	\$1.60	\$1.61	\$1.68	\$1.78	\$1.72	\$1.73	\$1.96
MEDIUM	\$1.52	\$1.44	\$1.45	\$1.45	\$1.57	\$1.51	\$1.58	\$1.77
SMALL	\$1.16	\$1.08	\$1.09	\$1.06	\$1.16	\$1.10	\$1.17	\$1.25
PEE WEE	\$0.52	\$0.55	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57
B	\$1.46	\$1.58	\$1.59	\$1.46	\$1.56	\$1.50	\$1.58	\$1.77
C	\$0.51	\$0.51	\$0.25	\$0.28	\$0.45	\$0.45	\$0.45	\$0.45

PROVINCIAL QUOTA EXCHANGE RESULTS



		# OF LAYERS	# OF FARMS
2011	QUOTA OFFERED	26,756	5
	SUCCESSFUL BIDS	24,776	5
	QUOTA ASSESSED	1,960	

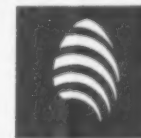
NUMBER OF BC EGGS GRADED + FARM GATE VALUE

YEAR	# OF BC EGGS GRADED	FARM GATE VALUE
2011	70,595,175 DOZEN	\$127,568,170
2010	65,106,910 DOZEN	\$108,217,962





**CHAIR'S
REPORT
2011**



WELCOME TO THE 2011
DC ECG MARKETING BOARD
ANNUAL REPORT



he BC Egg Marketing Board started several new initiatives in 2011, all of which will continue to develop through 2012 and beyond.

Communication and consultation with producers, graders, processors, retailers and consumers has been identified as a major priority of the Board. An upgraded and expanded website will be the centre of the Board's communication program, and meetings, surveys and focus groups will be the tools used in the consultation strategy.

A new advertising and promotion program for the BC Egg industry that was developed in 2011 will be implemented in 2012. This program will focus on the local (BC) aspect of egg production.

The Board has started a major review of quota administration and transfer policies, with the objective of removing impediments to quota sale and transfer. Currently, only small amounts of quota change hands annually and the Board will be recommending changes intended to increase liquidity of quota.

Continued attention to food safety, biosecurity, traceability of eggs, and animal care is a major priority of the Board going forward.

The BC Egg Marketing Board continues to fully support Egg Farmers of Canada in its effort to improve returns on processed eggs as well as on other initiatives aimed at improving the egg industry for all Canadian producers.

Thank you to Egg Board management and staff for their contribution to a successful and productive 2011 for all BC egg producers.

Richard R. King, P.Ag.
Chair



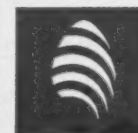
2011

MANAGEMENT
DISCUSSION
AND ANALYSIS

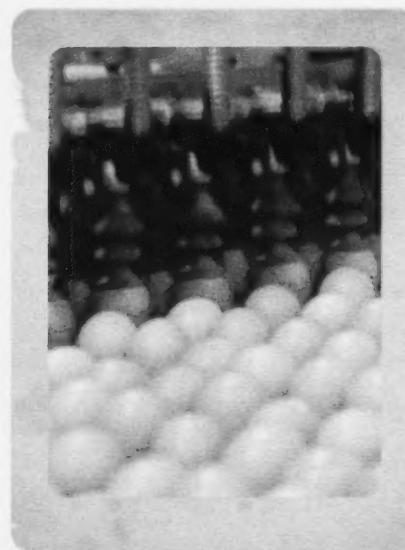


2011





OVERVIEW OF
PRECEDING
YEARS



FISCAL 2011 VS. 2010



The financial statements reflect the administrative structure to collect levies and disburse proceeds for the purpose of controlling the supply of eggs, administering various producer accreditation programs, and managing and promoting eggs in British Columbia. As a service agent of the national scheme, the BC Egg Marketing Board (BCEMB) purchases eggs from producers for resale.

As compared to the budget, Board expenses were below budget except for research and scholarships and professional services, which was over budget due to additional work in support of the strategic plan, the organic costing project, and research in support of issues facing the egg industry. The Board expense had an overall increase of \$116,142 over 2010 actual spending.

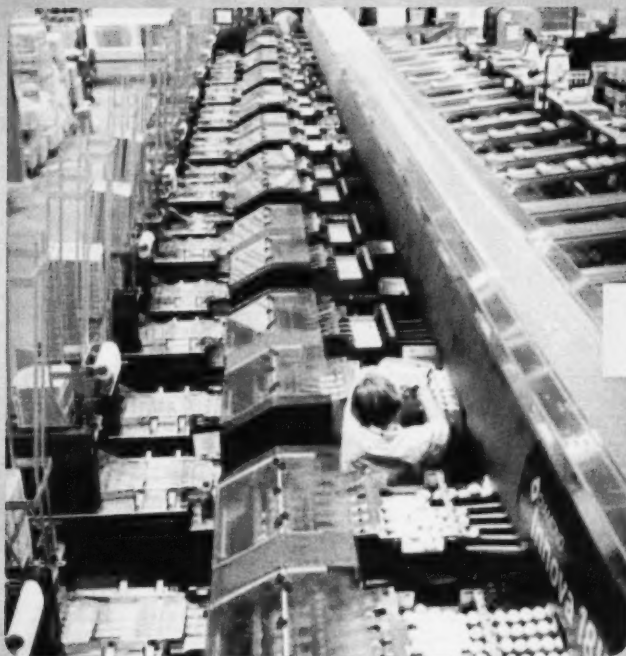
Administration had an increase over 2010 of \$96,536. There were increases in 2011 in amortization, professional services, salaries and benefits, and travel. The salaries and benefits increase is a reflection of the finalization of our collective agreement and related organizational changes. The increase in travel is a result of increased participation of management and staff at the regional and national level. The amortization is directly related to the move of the Board office. There were significant decreases in spending in 2011 in legal and office supplies.

As compared to the 2010 budget, amortization, professional services, professional development, and salaries and benefits were over budget. All other administrative actual expenses in 2011 were under budget.

The Marketing expenses for 2011 were \$273,004, which were up \$145,182 over 2010. This increase results from the work in rebranding as well as some of the marketing initiatives such as the BMO Vancouver Marathon, BC Lions and PNE. The actual 2011 spending was under budget and links directly back to the lack of a full marketing campaign.

The Communications expenses for 2011 were \$205,097, which were up \$104,000 over 2010. BCEMB initiatives included the Physician Education Program, the producer survey and the producer sitelet. All Communications expenses were under the anticipated budget levels.

In 2011 BCEMB continued its progress on initiatives that support the Strategic Plan of the organization. This included leveraging our technology to support decommissioning legacy computer systems and to enhance organizational productivity.



MARKET OUTLOOK 2012





egg sales at the national level were up 1.7% over the 52 weeks ending December 17, 2011. In comparison, total BC egg sales decreased by 2.2% over the same period.

Nationally, sales of regular white and brown eggs grew by 0.8% in 2011 and account for 85.2% of the total egg segment, which is down from 86.0% in 2010. Sales of BC regular white and brown eggs decreased by 3.8% in 2011. In 2011, omega-3 sales increased by 8.1% nationally and decreased by 1.2% in BC. In contrast to the national classification, BC considers omega-3 as regular table eggs, not specialty.

Sales of specialty eggs (free run, free range, organic) increased 2.7% nationally in 2011 and 3.8% in BC. The specialty egg segment only accounts for a 3.5% market share nationally. However, it accounts for a 10% market share in BC, which has the highest provincial market share of specialty eggs in Canada. In fact, BC sells more specialty eggs than Ontario, which has a population three times the size of BC's. Market share of specialty eggs is projected to increase over the next three years.

Eggs are well positioned for future volume growth, but challenges remain, including a large number of older consumers with new needs, a declining percentage of households with children, declines in income and concentration, rising obesity rates, and increasing costs of health care.

TRENDS THAT
CONCERN US:
PRODUCT INTEGRITY

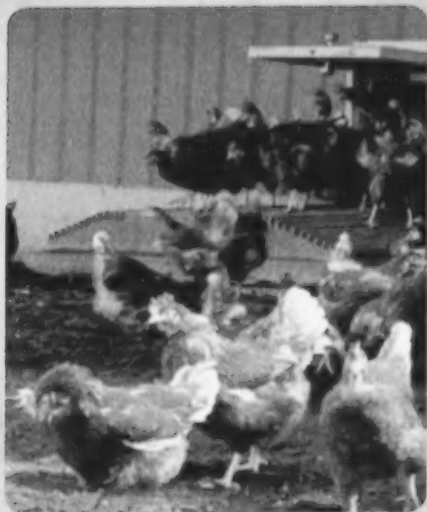


Today's consumers are more educated and discerning about the products they consume. They do so with the faith that government and the industry regulatory environment are providing safe, high-quality products with truth in labelling.

Health and nutrition claims are seen on almost all products consumed today. Eggs are no exception, and labelling of free-run, free-range, organic and diet-enriched eggs should be based on standard production protocols that can be validated and audited.

KEY DEVELOPMENTS 2011





TRENDS THAT
CONCERN US:
HEN HOUSING

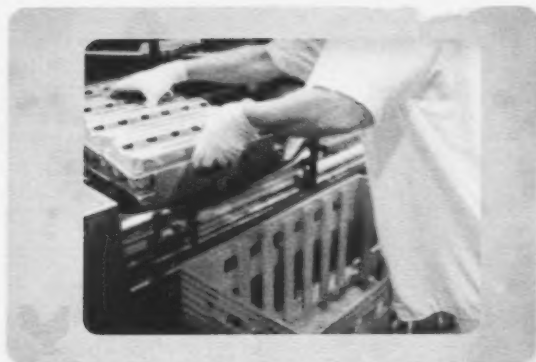


Changes in hen housing practices have been increasing for developed economies at a rapid pace. Today, as a result of consumer trends and societal views, there are more choices than ever for hen housing, which means it's complicated to predict what the future may hold in this area.

Although the Board provides minimum operational standards for producers, the final decision on housing systems is based on producer choice and on their assessment of the future market conditions.



FOOD SAFETY

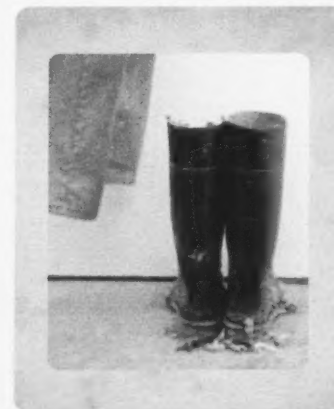


In 2011 the BCEMB made Part 3 Certification of Egg Farmers of Canada mandatory for all registered producers. Completing this certification via a third party verified that producer production and management practices were either meeting or exceeding standards set forth in the *Start Clean – Stay Clean™* layer program.

The Canadian Egg Industry Reciprocal Alliance was formed, introducing the only producer-sponsored *Salmonella enteritidis* (Se) insurance program in North America. This program promotes increased microbiological sampling of facilities, furthering efforts to produce only the safest of food products.

A required Food Safety and Biosecurity Program for Small Poultry Flocks was developed and delivered to all small lot permitted producers, broadening BCEMB's commitment that all eggs produced in British Columbia are of the highest standards and practices.

**2011 EFC
DIRECTOR'S
REPORT**





As your Egg Farmers of Canada (EFC) Director, I am pleased to provide an overview of the events and activities that shaped the past year. EFC and provincial board staff achieved many of the Board's 2011–2014 business plan objectives linked to five key results: changing consumer demand and industry sustainability, social responsibility, stakeholder collaboration, innovation and research, and trade. 2011 also saw the Board's election of Peter Clarke as our new Chair.

Starting with EFC's financial position, the unrestricted portion of the Pooled Income Fund (PIF) was projected to finish the year at \$24.3 million at the time of writing this report – despite having tracked near or slightly below the Board's established trigger point of \$20 million during the second half of 2011. This was attributed primarily to the high cost of buyback resulting from increased feed costs, high declarations and a strong Canadian dollar – all which were partially offset by an average year-to-date processor base price of 56.0 cents per dozen through October. At the same time, the unrestricted Administration Fund was expected to end the year at \$4.7 million, well above the Board's \$1 million trigger.

The fund balance is budgeted to decrease in 2012.

The restricted portion of the PIF was projected to end the year at \$17.5 million, with the restricted portion of the Administration Fund expected at \$4.1 million.

As the Farm Products Council of Canada has turned down the Board's request for a 214,683 layer increase, the 2012 quota allocation and provincial breakdown will remain unchanged from last year at 21,440,465 layers. Council also rejected the Board's call for a 2.5 cent increase to the overall EFC levy. As a result, the levy remains unchanged at 32.75 cents per dozen. The Budget Committee will review levy rate options early in 2012 and is expected to provide a recommendation to the Board on the best way forward. The current levy order, with its 28.5 cent per dozen PIF levy will be in effect until March 30, 2012, but it could change sooner if a new levy order is approved.

The Administration Fund, restricted Risk Management Fund and restricted Research Fund levies remain unchanged at 3.0, 1.0 and 0.25 cents, respectively. Early in 2011, as Chair of the Cost of Production committee, I oversaw the implementation of 2009 survey results and the updating of methodologies, as well as the updating of provincial administration and EFC levies.



Overall, we did well in promoting the benefits of eating eggs in 2011 through our cholesterol-concerned and healthy energy strategies.

We surpassed our sales goal by achieving 1.7% growth in total egg sales despite a 7% increase in retail egg prices. Thanks to our Physician Education Program, just 38% of doctors are telling their patients to limit egg intake – down from 65% four years ago. In addition, the recall, appeal and relevance of our “Big Tasks” TV ads performed as good as or better than any previous campaign. Besides our proud sponsorship of the Postmedia Canspell Spelling Bee and La dictée, EFC also served as the Official Nutrition Partner of the Run for the Cure at 60 sites across Canada.

We have been working as a Board and with industry stakeholders to better understand our own responsibilities as members of the community. We know it's important to be good at what we do, which is why so many egg farmers are doing well on their *Start Clean – Stay Clean™* Program and Animal Care Program ratings. But we also recognize how important it is to be able to talk about how we farm and about our values as farmers. It is becoming easier for us to talk about egg farming in a way that's natural, and in a way that shows how proud we are of our role as responsible stewards of our flocks who provide Canadians with a healthy, nutritious source of protein.

We value family, and we are passionate about our product and about doing the right thing. This is why EFC has been investing in research and innovation. It is also why we notified the National Farm Animal Care Council this past year of our wish to review the layer Code of Practice. We also finalized voluntary national egg and bird traceability standards that will go before the Board in early 2012. The goal is to have a full set of standards in place for tracking Canadian hens and eggs back to the source in the unlikely event of a human health event or food safety issue.

EFC staff met regularly with industry and government partners throughout 2011. Provincial board chairs and general managers attended a strategic planning session early in the year as part of our annual business planning cycle. The information gleaned from these meetings helped develop major policy initiatives such as the Canadian Egg Industry Reciprocal Alliance, our new industry-wide *Salmonella enteritidis* (Se) insurance, which came online in October, for egg farmers, pullet growers, hatcheries, and breeder pullets and layers. Despite our best efforts, EFC has been unable to conclude an agreement with the processors, though we continue working toward a satisfactory outcome. EFC staff also met with politicians and government officials from various ministries to discuss issues such as animal care, traceability and trade. On compensation, we were very pleased

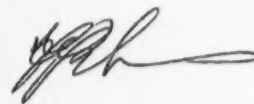
in March when the Minister of Agriculture and Agri-Food established a new *Health of Animals Act* category for laying hens, and increased maximums for farmers whose flocks are destroyed by government order due to disease.

2011 was a great year for research initiatives. Dr. Tina Widowski of the Ontario Agricultural College agreed to lead our new Research Chair on Poultry Welfare at the University of Guelph. Over the next seven years, Dr. Widowski and her team will conduct targeted research into alternative housing and other hen welfare matters of interest to the Canadian egg industry. Equally important, EFC launched an Animal Care and Welfare Advisory Panel with scientific experts and farmers' representatives who will offer recommendations on welfare issues. Peter Clarke appeared before the Senate Standing Committee on Agriculture and Forestry to discuss and answer questions about research and innovation in the egg industry.

On the trade front, the federal government came out stronger than ever before in its public support for our sector and the Canadian position of no increase in minimum market access and no decrease in Over-Quota Tariffs in any deal at the World Trade Organization. Ministers spoke up in response to media calls for the government to dismantle supply management following Canada's stated desire to join the Trans-Pacific Partnership. Public support for supply management was also

forthcoming from provincial ministers of agriculture in Alberta and Saskatchewan. In Belgium, Peter Clarke proudly stood with agriculture leaders representing farmers from 66 countries to sign the Call for Coherence, a declaration calling on countries to recognize agriculture as a unique commodity. Looking ahead, EFC will continue to monitor all trade agreements to which Canada is a party, including the Canada-EU Comprehensive and Economic Trade Agreement.

As we move into 2012, the Board of Directors has identified six key result areas upon which to focus over the next three years: consumer satisfaction, sustainability of the industry, stakeholder engagement, innovation and research, trade, and governance. Our ultimate goal is to build and strengthen a socially responsible supply management organization that has strong relationships with all stakeholders. As your EFC Director, I look forward to working with my colleagues from across the country to realize these objectives.



Fred Krahn
EFC Director

A decorative black scrollwork element on the left side of the page, featuring a large, stylized 'S' shape with intricate floral and leaf patterns.

INTERVIEWS WITH
• ORGANIC EGG PRODUCER
• EGG GRADERS
• PROCESSOR

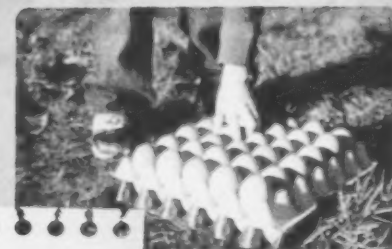
MEET THE FEDRAU'S



KEVIN & COLLEEN -
SELENA, 8; AUSTIN, 6;
JOSIAH, 4; MADISON, 6 MONTHS

BRIAN & JENN - CALEB, 4;
LEILA, 5; ALLIE, 9 MONTHS

RICHARD & MARY



FAMILY
FARMING



he egg industry in BC is rich with family-run farms. Some of these farms have been around for over 50 years and are now operated by second generation farmers.

For this family album, I paid a visit to a first-generation family farm. What makes this farm unique? The family-owned operation has already extended to the second generation. Meet the Fedrau family: Richard and Mary Fedrau and their children Kevin, Brian and Elisa.

Richard Fedrau grew up on a dairy farm. He has a deep appreciation for what it means to live off the land, the connection with his animals, and the care and commitment it takes to raise these animals to support BC's food supply.

Richard and Mary purchased their own dairy farm in 1978 and in 1994 they expanded their farming interests, purchasing their first layer farm with 32,000 hens. They soon began feeling that operating both a dairy and poultry operation simultaneously was becoming too strenuous and physically challenging, so they

sold their dairy farm in 1997 and acquired another 28,000 layers the same year.

A few years ago, the Fedrau family decided to purchase additional property to accommodate organic production. In 2011 they converted 6,000 birds to organic specialty layers – as they believed that market trends indicated an increase in consumer demand for organic eggs. And they were right. Today, Kevin and his young family live on the property and manage all aspects of the organic production.

When Kevin's family took over the organic farm, they soon realized that raising organic birds involves some challenges (organic eggs are a highly regulated product, and additional land is necessary because organic birds must have access to the outdoors for half their life). This created some issues when it came to monitoring and protecting the birds. You see, health issues are a major concern for birds that are raised outside. I learned that when birds roam outdoors, farmers must be especially mindful of predators such as eagles and hawks, as well as other disease-carrying fowl and rodents.



also learned that organic refers to the way agricultural products are grown, and that the term "certified organic" has several implications.

For example, the certification means that the hen has been raised on ground that has been free of toxins, pesticides and fertilizers for a minimum of three years. Certification also includes inspections of farm fields and periodic testing of soil and water to ensure that growers and handlers are meeting the set standards.

I also discovered that organic food production is based on a system of farming that maintains and replenishes soil fertility. This means ensuring that everything, including the grass that is sown, the feed supply, and the soil the hen walks on and pecks at, must all be certified and follow the same certification criteria.

Another task involved in raising free-roaming hens is training them to lay their eggs in a nest. Hens do not automatically lay their eggs in a nest, so for the first few weeks of a new flock, the farmer must observe the hen's laying behaviour (they watch for eggs that are laid on the ground, and move them immediately to a nest). When birds see other eggs are in a nest, they will eventually copy this behaviour. Eventually, all of the hens will lay eggs in nests, which means that eggs no longer get damaged, soiled or pecked at. Well, I'm impressed!



Although the birds love to be outside when it gets warm, Kevin shows me the "winter garden" that he built for his flock. This winter garden is an enclosed, covered scratch area that provides access to the outside pasture – while still offering shelter from the elements and from birds of prey. Another patch of pasture beyond the winter garden conveniently allows the hens full exposure to sun and fresh air. Clever stuff.

I'm told that, at times, being outside and exposed to the elements can cause stress for the birds. Good thing the barn door is always open for them to retreat to shelter if they choose to do so. It is a challenge and constant concern to keep the birds free from stress. Observing the birds' behaviour frequently is a very important aspect of being aware of, and responding to, their stress level. Signs of stress in birds can include increased agitated behaviour, feather-pecking and poor egg quality.

Given the many factors involved in raising organic hens, I asked Kevin if he would choose to go back to raising white hens like his father and brother Brian. Kevin says he is determined to continue raising his special hens and, in fact, he will be adding another 6,000 layers in May of this year. Kevin says that he has received amazing support and advice from other farmers along the way. The way Kevin sees it, egg farmers truly are a family, and everyone works together for the success of the industry.

There is no doubt that organic egg farming involves an enormous commitment of time and capital, as well as adherence to strict levels of biosecurity and food safety criteria. Kevin is a young farmer who loves the farming lifestyle and hopes to preserve the tradition so that, one day, he can transfer the farm to the next generation.

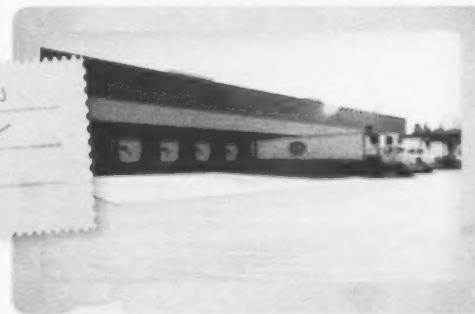
No one knows what other specialty product may come along in the future of BC egg farming, but I, for one, am grateful to these wonderful families whose way of life provides wholesome food that is safe, nutritious and affordable for us all.



TALKING WITH OUR GRADERS



GOLDEN
VALLEY
FOODS



ANOTHER VITAL MEMBER OF THE EGG INDUSTRY FAMILY IS THE GRADER. GRADERS PICK UP EGGS AT THE FARM, AND THEN INSPECT THE EGGS AND SORT THEM BEFORE THEY ARE PACKAGED AND DISTRIBUTED TO STORES. FRANK CURTIS, PLANT MANAGER OF GOLDEN VALLEY FOODS, TOOK ME ON A TOUR OF THE FACILITY AND HELPED ME BETTER UNDERSTAND THE BUSINESS.



As Frank tells me, Golden Valley Foods was founded in 1950 by Peter Funk, who started as a producer-vendor – supplying many Woodward's stores. Over time, Golden Valley Foods consolidated many smaller grading stations to become the largest grader in BC.

Although ownership has changed and some divisions of the original business have gone, the egg grading business has continued to grow over the last 60 years. Approximately six years ago, the business changed hands again and is now partly owned by Fresh Start Foods, a producer group.

I'm told that the grading process is central to protecting consumers and to assuring that, with rigorous processes and standards, the eggs that go to market are safe from disease. As such, the grader functions as quality control for the egg industry. After the eggs are washed, they are checked for shell quality, sorted by size, and then inspected. A process called candling – originally done with candles, hence the name – uses bright light behind the egg to show details through the shell such as blood spots or double yolks.

Today, eggs are inspected using improved computerized systems: sound waves are used to check eggshells for cracks, the outer shell is inspected for cleanliness using machine vision, in-line scales weigh the eggs, and a computerized camera with a strobe light looks for defects inside the eggs. I know I'm impressed!

Once approved, the eggs are appropriately packaged and sent to the end user. The Canadian Grade A standard guarantees that consumers are receiving a high-quality and safe food product.

To enhance safety standards even further, Golden Valley Foods has recently created two full-time food safety inspection positions. Global Food Safety Initiative (GFSI), a new standard required by food retailers, engages third-party auditors in a week-long audit to examine all aspects of a food preparation facility's processes. This new specification can help trace an egg right back to an individual farm and ensures that the food safety criteria is adhered to – from the laying of the egg to the grocery store shelf. The most stringent of all regulations to date, this standard indicates the importance that the regulated market places on the safety of its food supply.

Another role of the grader is to predict market demands by working with either BC egg producers or with individual farmers to match supply. I'm told that this is one of the greatest challenges that any grader faces and is particularly true with specialty eggs such as free run, free range and organic. The grader strives to determine the market requirements for specialty production a year in advance by taking into consideration essential needs for the farmer such as land required, barn configurations, third-party audits, pullet orders, etc., which all must meet specific requirements.



In 2011, Golden Valley Foods built a new grading facility that follows all standards and allows for high efficiency. Ungraded eggs never cross paths with graded eggs, all packaging in the new facility has its own warehouse, and the finished goods warehouse is designed to facilitate easy order picking. I learned that new grading machinery is 25% faster than previous equipment – allowing more flexibility to build inventories before demand peaks. From what Frank tells me, using state-of-the-art equipment has much improved efficiency and productivity.

When asked if the egg industry is unique in BC, Frank explained to me that BC has a much more developed specialty egg market that is influenced by our cultural, philosophical and economic diversity. This places the grader in a different situation from that of other provinces. Golden Valley Foods has a long history of working hard to supply the needs of BC's special consumer demographic and it is positioned to continue to do so well into the future.



PINE GROVE



EGG GRADING EQUIPMENT HAS BECOME MORE SOPHISTICATED OVER THE YEARS, AND IT IS NO LONGER PRACTICAL FOR THE AVERAGE PRODUCER TO GRADE HIS OWN EGGS. AS A SMALLER GRADER, PINE GROVE HAS PLAYED AN IMPORTANT ROLE IN CATERING TO SMALLER PRODUCERS AS WELL AS THE SPECIALTY MARKET.



located on a picturesque property in the Fraser Valley, Pinegrove's service includes picking up producers' eggs once or twice a week. The eggs are transported to the grading facility where they are washed, inspected for shell and interior quality, and graded for size. Once the eggs have been graded, they are then packaged in cartons for the retail market and in loose pack trays for hotels, restaurants and bakeries.

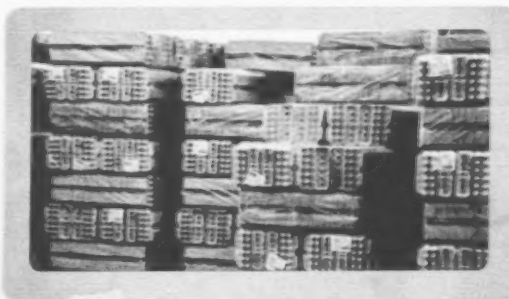
When I visited Pinegrove, I was amazed at the immaculate facility and the peaceful setting. The facility sits on a small rise in the middle of a pasture. It looks like an enjoyable place for employees to work, complete with picnic tables out on the deck to eat lunch and enjoy the tranquil environment.

Ralph Regeht started grading eggs in June 2001 and has built a truly family-run organization, with all five of his children participating in various stages of the grading business. After beginning as a small egg producer who chose to grade his own eggs, he tells me he now purchases eggs from other local producers who cater strictly to the specialty market.

Specialty egg production, generally on a smaller scale than conventional egg production, includes free run, free range and certified organic. Considering that eggs are a perishable product

and that chickens don't lay the same size eggs throughout the year, it is an ongoing challenge to have enough of the right product available at the right time. Nevertheless, Ralph tells me he believes that the growth in consumer choices through the increase of specialty egg production has been nothing but positive for the egg industry.

I wondered if, as a small player in the industry, it was a challenge for Ralph to keep up with his much larger counterparts, but he explained that his niche in this industry is his willingness to work hard and to offer personalized service to a small but growing group of loyal customers.



MEET MIKE VANDERPOL, PROCESSOR



Another significant member of the egg industry family is the processor, who provides backup and support to farmers and graders when an imbalance occurs between market supply and seasonal demand.

Vanderpol's Eggs is a family-owned and -operated egg processor located in the heart of BC's Fraser Valley. Vanderpol is the only processor west of Manitoba. I met with the President, Mike Vanderpol, for a tour of the facility and to better understand how this business supports the egg industry. Mike, a friendly and hands-on executive, is the perfect example of the kind of down-to-earth individual you will find in BC's farming industry.

I asked Mike how the processing business got started. He tells me that that back in 1952, Mike's grandfather, Willem Vanderpol, began selling eggs door to door. Five years later, the company opened a grading operation to support egg sales. I was told that the company was also the very first in the area to actually wash the eggs.



In 1968 Vanderpol entered into the processing business to accommodate Kraft Foods' request for mayonnaise. Processing soon grew into a method for getting value for off-graded eggs, including eggs with deficiencies such as cracks, eggs rejected by other graders due to size, excess eggs, etc.

Mike tells me that pasteurizers were purchased to ensure the quality of liquid egg product supplied by Vanderpol. (Pasteurization is a process that destroys undesirable bacteria without reducing the quality of the egg product.) These days, liquid eggs are most commonly used in the food service industry at restaurants and bakeries and they are also converted to convenience foods such as peeled hard-boiled eggs for restaurant and catering markets.

The busiest times for an egg processor are over the summer months and when market demand drops – just after Christmas and Easter. Vanderpol was able to process during these times by freezing or drying the egg product so they could be stored and sold throughout the year. In the past, egg products had a shelf life of only two weeks. However, thanks to the new method of pasteurizing and packaging, I learned that this can be extended up to 10 weeks. In short, the processing operation provides a great fit between the supply from the egg industry and the demands of the marketplace.

I'm told that although the egg industry is part of the supply

management system, egg products are used as ingredients in many food items that, with little or no tariff protection, face pressure from south of the border. To provide an outlet into these markets, eggs destined for processing are priced to reflect a lower US egg market price.

Vanderpol has been instrumental in developing new processes, products and market support over the years. Some of these are:

- *First in Canada to develop an extended shelf life for liquid egg products*
- *Partnered with Canadian Inovatech in 1993 to expand markets for lysozyme. Lysozyme (also known as albumen), which is shown to inhibit viral replication and infections such as HIV, comes from egg whites. The egg white provides protection and nutrition to the developing embryo in the egg yolk and consists mainly of water, proteins, minerals, vitamins, fats and glucose. It is also rich in selenium and vitamins such as vitamin D, vitamin B6 and vitamin B12, which help the development of teeth, bones and fingernails. Lysozyme is used in toothpaste and mouthwash to help fight bacteria.*
- *Co-developed an enzyme modified yolk (Emulsa™) for heat-stable sauces and dressings*
- *Received organic certification in 2005 and introduced organic liquid egg whites for the retail and food service markets*
- *Launched "Heat 'n Serve Hollandaise Sauce" in 2007*





As we walked through the plant (wearing lab coats to protect egg product from coming into contact with anything from our clothing), I was impressed at how sanitary the environment was.

My last stop was the Vanderpol lab, which is ISO 17025 certified. Here, all products are sampled and tested for pathogens in a sterile environment using state-of-the-art technology. Test results, received in three days, are used to guarantee the product to be free of *Salmonella enteritidis* (Se).

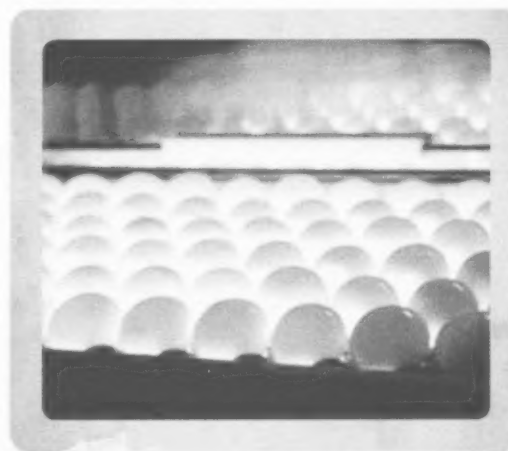
Vanderpol's other accreditations include:

- **Canadian Food Inspection Agency (CFIA)** – Vanderpol has a full-time on-site CFIA inspector to ensure adherence to core food safety standards.
- **HACCP (Hazard Analysis Critical Control Points)**
– To ensure the safety and quality of products, the HACCP-based program is designed to exercise control throughout the entire manufacturing process from receiving, to processing, to packaging, to the shipping of finished goods. HACCP aims to ensure high quality and to prevent contamination of product by continual monitoring of all these steps.
- **Accredited In-House Laboratory** – To supply customers with egg products of the highest quality, this accredited in-house lab engages in testing activities in the fields of microbiology and chemistry. All testing conforms to the Accreditation Criteria and Requirements for Testing Organizations (CAN-P-4) of the National Accreditation Program for Testing Organizations of the Standards Council of Canada (SCC).

- **Organic and Kosher Certified** – Vanderpol offers both organic and kosher certified products.

When I completed my tour of the facility, I noticed a number of products in a glass case – quiches, breakfast wraps, ham and cheese burritos, scrambled eggs (Boil n' Bag), sauces, whole scrambled egg products, and pickled eggs were all available for purchase. It became quite obvious to me that Vanderpol's Eggs is a versatile provider for a variety of egg products, providing not only the industry, but also us consumers, with delicious choices.

It is clear that Vanderpol is a well-established and valuable member of the egg family of BC.





SINCE 1967

BOARD GOVERNANCE

**MOVING TO
PRINCIPLES-BASED
REGULATION**





he BCEMB board of directors continues to respond to changing societal expectations and an increasingly complex egg marketplace.

The Board recognizes that good governance is critical to the egg industry's success. The Board fully supports the government's objective of a principles-based, outcomes-oriented approach to regulation of our industry. The result is a regulated egg marketing system with effective self-governance.

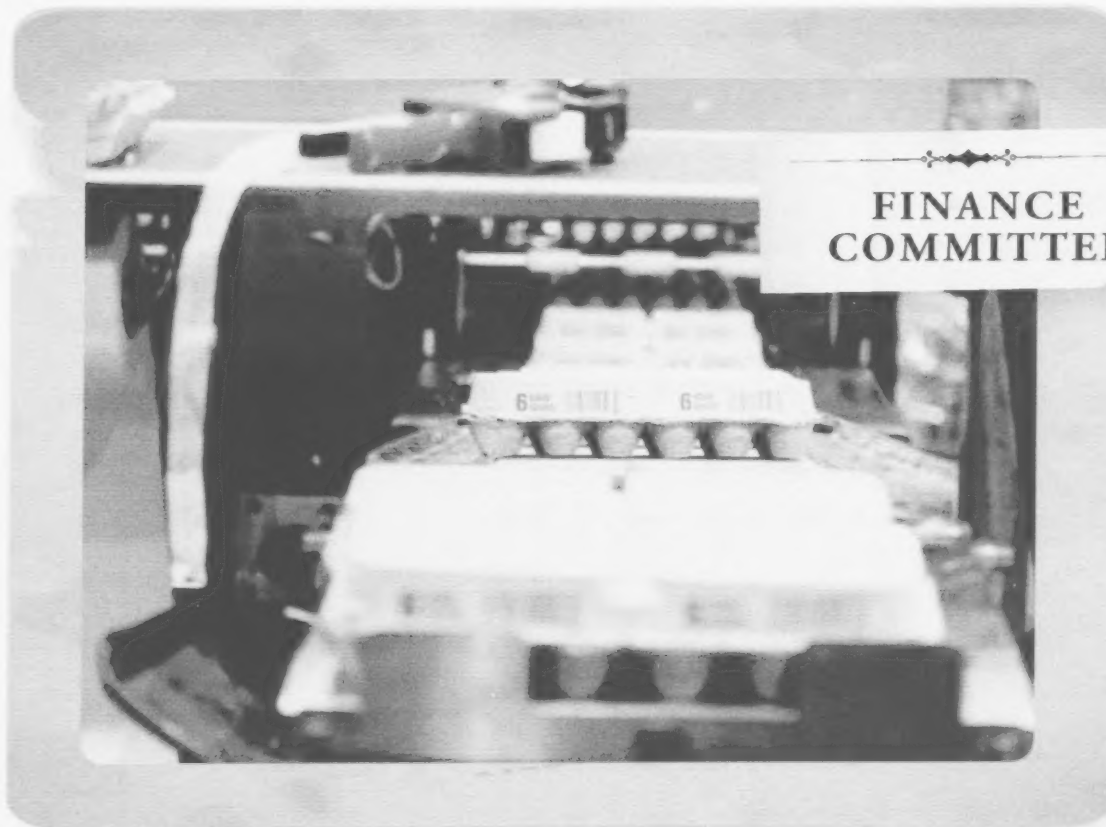
Accordingly, the board of directors believes that we are accountable to our producer members to:

- *Develop and promote regulations and policies that facilitate a competitive and growing egg industry.*
- *Take into account the interests of producers and other stakeholders in making principled, sound and fact-based business decisions that maintain a viable and sustainable egg industry*
- *Possess or access business and other expertise necessary to function in today's social and business environment*
- *Adopt strategic and proactive risk management approaches to industry issues*
- *Establish appropriate and effective performance expectations and management information systems that enhance Board operations, policies and overall capabilities on an ongoing basis*



2011 REPORTS







his year's Finance Committee was made up of James Gunther, Bodo Goetzke, Art Friesen and myself.

The Finance Committee is responsible for overseeing the integrity of BC Egg Marketing Board's financial statements, its independent auditor and its internal audit function, and for compliance with legal and regulatory requirements. Its primary duties are to advise the Board of Directors and to make recommendations that support and protect member-producers by:

- *Reviewing and discussing with auditors and management the audited financial statements and related footnotes that are included in the Annual Report*
- *Reviewing the annual budget prepared by management*
- *Ensuring that an effective system of internal controls has been established and implemented by management*
- *Reviewing and approving the auditors' annual audit plan and any other non-audit work performed*
- *Ensuring compliance and/or developing any other policies that protect the organization and manage its exposure to risk*

The Finance Committee strives to bring efficiencies into our support systems and, over the past few years, has brought forward budgets that have effectively reduced our surplus funds. These budgets in turn have been supported by the Board.

In the interest of transparency, we strive for balanced representation of the grassroots interests of producers along with the required specific skill sets in finance.

I want to thank the Committee members for their insight and input, as well as express an ongoing appreciation to our Management team, and specifically Anne-Marie & Tyler, for the contributions and expertise that they bring to the table. It has been a pleasure working with you all!

Respectfully submitted,

Walter Siemens
Chair





PRODUCTION
MANAGEMENT
COMMITTEE



ROLE OF THE PRODUCTION MANAGEMENT COMMITTEE



The Production Management Committee (PMC) is made up of egg producers whose role and mandate are to act as advocates and fellow advisors to BC egg farmers in matters pertaining to production practices and related farm issues. The PMC will assist in any formal complaints regarding production practices and is involved in encouraging producers to fully comply with the industry's best management practices. The PMC, a voluntary committee, is not established under any legislative or regulatory authority, and its goals and objectives are set out by its members.

As responsible caregivers, BC egg farmers strive to observe the standards and programs established by provincial and national regulators for on-farm food safety, animal care,

environmental stewardship, and biosecurity. These challenges reflect some of the responsibilities that our producers shoulder on a daily basis. Ensuring that these challenges are met has a significant bearing on positive community relationships. As being a good neighbour is important to our farmers, the PMC also facilitates positive relationships with those non-farming neighbours who may not fully understand farming operations. This is especially true as residential development increasingly intermingles with existing agricultural operations.

Over the last several years, there has been increased focus and attention on production standards, animal welfare requirements, and specialty production. The PMC also has an opportunity to review and provide feedback to the national PMC on proposed amendments in these areas.





Consumers can be assured that they receive the highest-quality eggs from healthy, well-cared-for flocks. Through the national *Start Clean – Stay Clean™* (SCSC) program, registered BC egg farms are regularly screened for *Salmonella enteritidis* (Se) bacteria. The SCSC program is based on the Hazard Analysis Critical Control Points (HACCP) system, a national food safety program that focuses on sound management practices and operating procedures to reduce, prevent or eliminate potential hazards in the Canadian egg industry. There are three distinct parts to the SCSC program; the first two parts are delivered by our Producer Liaison Officers (PLOs).

The third part of the SCSC program involves an audit by an Egg Farmers of Canada (EFC) field officer to determine whether a producer qualifies for certification by this program. At the beginning of 2011, we started with only 19 producers who were fully certified; this progressed to a total of 80 producers attaining full certification by year-end. We are advised that producers who were not able to become certified previously was due to logistical reasons at the farm level,

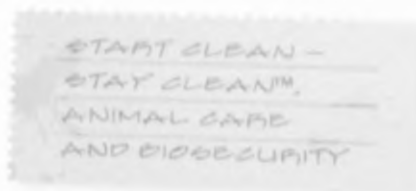
and we are confident that their audits will be completed by the spring of 2012.

In addition, BC egg farmers participate in the national Animal Care Program (ACP), which is also delivered by an EFC field officer. In 2011, 103 ACP ratings were conducted, resulting in a 98% provincial average.

All of our egg farmers also adhere to the mandatory BC Poultry Biosecurity Standards. In fact, British Columbia is the first and only province to develop and activate these standards, which are designed to protect flocks from a variety of infectious poultry diseases.

There was 100% participation in both the SCSC-HACCP program and the BC Poultry Biosecurity Program. Both programs were delivered successfully by our PLOs.

A new SCSC Pullet Program was finalized and is scheduled to launch in February 2012. Prior to the commencement of this program, *Salmonella enteritidis* (Se) testing took place for laying hens at the farms, but not for pullets. The SCSC Pullet Program is intended to complete the food safety value chain.



RECOGNIZING EGG FARMER EXCELLENCE



egistered BC egg farmers who excel in food safety and animal care practices are honoured with the Producer of the Year awards.

Producers of the Year are recognized for their excellence in the following areas:

- *A minimum of 95% on the SCSC (Layers) Program*
- *A successful SCSC (Part 3) audit with accompanying HACCP certification*
- *A minimum of 95% on the Animal Care Program*
- *Must be in good standing with the BCEMB*

I am pleased to report that 64 farmers qualified for a Producer of the Year award. This represents an increase of 47 additional egg farmers over last year.

BC egg farmers have continued to improve in all facets of animal husbandry, food safety, environmental stewardship, and biosecurity on a yearly basis. Producers have taken proactive measures to ensure that the egg industry continues to provide comprehensive health management and care to animals while providing safe and nutritious eggs to all consumers.

Respectfully submitted,

Aryn Alibhai
Chair, Production Management Committee



THE BC EGG MARKETING
BOARD SPONSORED VARIOUS
ORGANIZATIONS AND PARTICIPATED
IN A NUMBER OF EVENTS TO
SUPPORT THE COMMUNITY IN 2011

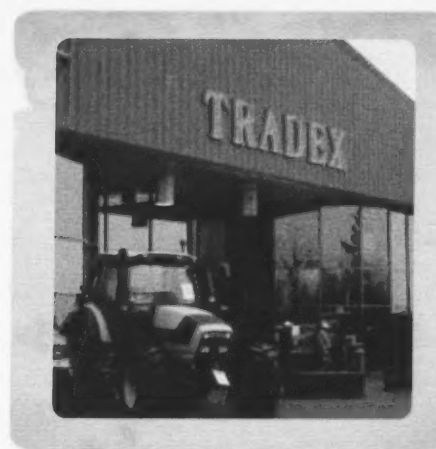
**COMMUNITY
SUPPORT AND
OUTREACH**



PHYSICIAN EDUCATION PROGRAM

January 2011

Launched by EFC in 2007, this program supports visits by a pharmaceutical sales team to physicians to provide them with facts about cholesterol. As doctors are often the key decision makers advising patients who are diagnosed with high cholesterol, it is vital that they have accurate information. Since the introduction of the Physician Education Program, fewer doctors are limiting eggs to their patients and almost half agree that the information provided by the representative has convinced them that "an egg a day is OK". In 2011 BC Egg supported the program by providing funding for three representatives to visit BC physicians.



PACIFIC AGRICULTURE SHOW 2011

January 27 – 29, 2011. TRADEX, Abbotsford.

Once again, BC egg farmers and farming played a key role at the annual Pacific Agriculture Show in Abbotsford, BC. The event was an opportunity for the public to engage with egg farmers and to ask questions about egg farming. Recipes and egg nutrition materials were made available to promote healthy meal choices that are both nutritious and delicious.



40TH ANNIVERSARY OF THE BMO VANCOUVER MARATHON

May 1, 2011

In an effort to showcase eggs as a healthy food choice and to promote walking and running for physical fitness, BC Egg's sponsorship began with supporting an alumni breakfast the day before the Marathon and continued into the next day by providing Peel 'n' Snack eggs to runners crossing the finish line. In addition to a full marathon, races included a half marathon, an 8 km run and the McDonald's Kids MaraFun. Almost 15,000 runners were registered for the Vancouver Marathon, making it one of the largest in Canada.



PACIFIC NATIONAL EXHIBITION

August 20 – September 5, 2011

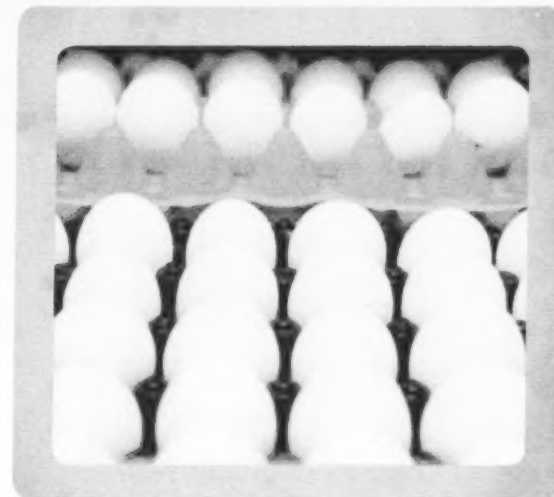
Developed in 2009, the Kidz Discovery Farm exhibit has continued to grow over the years. With a whole new station and new activities in 2011, children and their families took a farming excursion, with one of their stops at the BC Egg Barn, which was manned by producer volunteers. This unique opportunity to speak with a real farmer provided children with the chance to ask questions and to learn about where their food comes from. Various posters and a "Did you know..." pamphlet helped dispel many of the myths that exist about eggs today. Producers expressed that this was a very worthwhile event for them and that they would heartily support it again.



**2011 BC TURKEY AND EGGS
CHARITY GOLF TOURNAMENT**

August 31, 2011

Once again, the BC Turkey Association and BC Egg Producers Association hosted a golf tournament to support the Union Gospel Mission. This event, which has been hosted since 2005, continues to be a very successful fundraiser for the charity by providing turkey meat and eggs from local farms. This year's tournament raised \$36,000, and an additional \$29,000 was donated by egg producers subsequent to the event.



BC LIONS FOOTBALL

September 2011

As the BC Lions forged their way through the 2011 season and looked forward to a new stadium and a chance to go to the Grey Cup, BC Egg took advantage of the excitement. The BC Egg and Get Cracking logos were displayed via TSN coverage to an estimated 6 million CFL fans on an electronic power ring above the playing field.





CIBC RUN FOR THE CURE

October 2, 2011. Vancouver.

Every year, the Canadian Breast Cancer Foundation CIBC Run for the Cure is Canada's largest single-day volunteer-led fundraising event dedicated to raising funds for breast cancer research and for education and awareness. This year, CIBC marked its 15th anniversary as title sponsor of the event, which brings together more than 170,000 Canadians every year in nearly 60 communities across the country. As EFC is an annual sponsor of this event, BC Egg again provided two volunteers to man the booth. More than 12,000 runners took to the streets in 2011.

TAKE A BITE OF BC

November 2011

Developed by the BC Agriculture in the Classroom Foundation in partnership with the BC Culinary Arts Association, this program provides an opportunity for Chef Instructors to feature locally grown product in teaching kitchens in BC secondary schools. As students connect with the foods that are locally grown, they gain experience working with fresh products and begin to develop an appreciation for farmers in their community. In 2011, the BC egg industry donated two boxes of eggs to each of the 37 participating schools.





MANAGEMENT'S
RESPONSIBILITY FOR
FINANCIAL REPORTING



The financial statements of the British Columbia Egg Marketing Board have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial statements are prepared in a timely manner.

The BCEMB maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures.

As independent auditors appointed by the Board of Directors, Meyers Norris Penny LLP has audited the financial statements of the BCEMB. The Auditors Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the BCEMB.

Al Sakalauskas
Executive Director
February 6, 2012

Anne-Marie Butler
Director, Finance and Administration
February 6, 2012

AUDITED
FINANCIAL
STATEMENTS
December 31, 2011

INDEPENDENT AUDITOR'S REPORT



To the Members of BC Egg Marketing Board:

We have audited the accompanying financial statements of BC Egg Marketing Board, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the 53 week period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors'

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BC Egg Marketing Board as at December 31, 2011 and the results of its operations, changes in net assets and its cash flows for the 53 week period then ended in accordance with Canadian generally accepted accounting principles.

February, 13 2012
Abbotsford, British Columbia

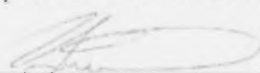
MNP LLP
Chartered Accountants

BC Egg Marketing Board
Statement of Financial Position

As at December 31, 2011

	2011	2010
Assets		
Current		
Cash	3,668,476	5,726,999
Accounts receivable	4,281,397	3,194,227
Prepaid expenses and deposits	29,033	37,390
	7,978,906	8,958,616
Capital assets (Note 3)	661,950	645,388
Long-term investment (Note 4)	2,821,492	2,859,127
	11,462,348	12,463,127
Liabilities		
Current		
Accounts payable	3,297,260	2,287,495
Accrued liabilities	245,979	1,412,363
Levies transferable to EFC	937,173	834,926
	4,480,412	4,534,784
Commitments (Note 5)		
Contingent liability (Note 6)		
Net Assets		
Invested in capital assets	661,950	645,388
Unrestricted	6,319,986	7,282,959
	6,981,936	7,928,347
	11,462,348	12,463,131

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements



BC Egg Marketing Board
Statement of Operations

For the 53 week period ended December 31, 2011

	<i>2011</i>	<i>2010</i>
Revenues		
Levies and license fees (Note 8)	4,969,920	4,905,581
Less: transferred to Western Pool	(14,811)	(156,397)
	4,955,109	4,749,184
Sale of eggs to grading stations	127,568,170	108,217,962
Less: purchase of eggs from producers	(127,568,076)	(108,217,962)
Interest and sundry income	176,447	78,475
Total revenues	5,131,650	4,827,659
Expenses (Schedule 1)		
Administrative expenses	2,195,299	2,098,763
Board expenses	861,397	745,255
Marketing expenses	273,004	127,822
Communication expenses	205,097	101,998
Provincial industrial product and post farm gate costs	2,446,424	1,660,472
Total expenses	5,981,221	4,734,310
Excess (deficiency) of revenues over expenses before other items	(849,571)	93,349
Other items		
Other income (expense)	(96,840)	19,000
Excess (deficiency) of revenues over expenses	(946,411)	112,349

The accompanying notes are an integral part of these financial statements



BC Egg Marketing Board
Statement of Changes in Net Assets

For the 53 week period ended December 31, 2011

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	<i>2011</i>	<i>2010</i>
Net assets beginning of year	645,388	7,282,959	7,928,347	7,815,998
Excess (deficiency) of revenues over expenses	-	(946,411)	(946,411)	112,349
Change in Invested capital assets	16,562	(16,562)	-	-
Net assets, end of year	661,950	6,319,986	6,981,936	7,928,347

The accompanying notes are an integral part of these financial statements



BC Egg Marketing Board
Statement of Cash Flows

For the 53 week period ended December 31, 2011

	<i>2011</i>	<i>2010</i>
Cash provided by (used for) the following activities		
Operating activities		
Excess (deficiency) of revenues over expenses	(946,411)	112,349
Amortization	136,552	129,185
Bad debts	-	54,636
Equity loss on investment	158,132	49,378
Loss on disposal of capital assets	-	4,202
	(651,727)	349,750
Changes in working capital accounts		
Accounts receivable	(1,087,170)	(445,635)
Prepaid expenses and deposits	8,357	(7,915)
Accounts payable and accruals	(54,372)	659,832
	(1,784,912)	556,032
Investing activities		
Purchase of capital assets	(153,114)	(307,348)
Interest income credited to investment	(120,497)	(39,000)
	(273,611)	(346,348)
Increase (decrease) in cash resources	(2,058,523)	209,684
Cash resources, beginning of year	5,726,999	5,517,315
Cash resources, end of year	3,668,476	5,726,999
Supplementary cash flow information		
Interest paid	7,209	5,281
Interest received	176,447	78,475

The accompanying notes are an integral part of these financial statements



BC Egg Marketing Board Notes to the Financial Statements

For the 53 week period ended December 31, 2011

1. Incorporation and commencement of operations

The British Columbia Egg Marketing Board ("the Board") was established in 1967 under the Authority of the *Natural Products Marketing (B.C.) Act*. The Board operates under the British Columbia Egg Marketing Scheme, 1967, respecting the control, management and promotion of the marketing of eggs in British Columbia.

The Board purchases eggs from producers for resale and acts as the B.C. agent for the Egg Farmers of Canada ("EFC") for collection of EFC's administration levies and industrial product removal levies, and administers various national egg movement programs.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

Investments

The Board accounts for its 50% interest in Central Agricultural Facility Ltd. ("CAFL") using the equity method. Under the equity method, the investment is recorded at original cost plus the Board's share of undistributed earnings (loss) since inception. The statement of operations includes the Board's share of investee income or loss for the year.

The Board has designated its advances to CAFL as loans and receivables and records them at amortized cost, which is equal to the carrying amount.

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight line method intended to amortize the cost of assets over their estimated useful lives.

	<i>Term</i>
Automotive	3 years
Computer equipment	3-5 years
Office equipment	5 years
Leaschold improvements	10 years

Revenue recognition

Revenue from sales of eggs, including associated levies, are recognized on a weekly basis as the grading process is completed.

Marketing levies collected on special permit birds are recognized as revenue when the associated services are provided and the related expenditures are incurred. Prepaid levies that have been collected for producers in advance of the related production week are recognized as revenue when the production week occurs.

BC Egg Marketing Board
Notes to the Financial Statements

For the 53 week period ended December 31, 2011

2. Significant accounting policies

(Continued from previous page)

Income taxes

The Board is a not for profit organization and is exempt from income taxes pursuant to subsection 149(1)(c) of the *Income Tax Act*.

Employee future benefits

The Board's pension plan is a defined contribution plan and contributions are expensed as required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Financial instruments

Held for trading:

The Organization has classified the following financial assets and liabilities as held for trading: cash and long term investment. These instruments are initially recognized at their fair value.

Transactions to purchase or sell these items are recorded on the settlement date.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Loans and receivables:

The Organization has classified the following financial assets as loans and receivables: accounts receivable. This asset is initially recognized at its fair value. Transactions to purchase or sell this item are recorded on the settlement date.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

BC Egg Marketing Board Notes to the Financial Statements

For the 53 week period ended December 31, 2011

2. Significant accounting policies

(Continued from previous page)

Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accrued liabilities, and levies transferable to EFC. These liabilities are initially recognized at their fair value. Transactions to purchase or sell these items are recorded on the settlement date.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not for profit organizations (NFPOs) to be included in Part III of the CICA Handbook Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Organization expects to adopt Part III of the Handbook as its new financial reporting standards. The Organization has not yet determined the impact of the adoption of Part III of the Handbook on its financial statements.

BC Egg Marketing Board
Notes to the Financial Statements

For the 53 week period ended December 31, 2011

3. Capital assets

			<i>2011</i>	<i>2010</i>
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Automotive	66,005	54,809	11,196	22,265
Computer equipment	335,935	147,963	187,972	145,176
Office equipment	175,247	118,396	56,851	22,703
Leasehold improvements	500,383	94,452	405,931	455,244
	1,077,570	415,620	661,950	645,388

4. Long-term investment

The Board's investment in Central Agricultural Facility Ltd. ("CAFL") includes the following:

	<i>2011</i>	<i>2010</i>
Shares - 50%	1	1
Advances without fixed terms of repayment or interest	1,912,026	1,791,530
Advances without fixed terms of repayment , including interest at prime less 1.75%	1,300,000	1,300,000
Equity loss since inception	(390,535)	(232,404)
	2,821,492	2,859,127

BC Egg Marketing Board Notes to the Financial Statements

For the 53 week period ended December 31, 2011

5. Commitments

The Board is committed to an operating lease for a photocopier with yearly lease payments of \$6,362 expiring 2017.

6. Contingent liability

The Central Agricultural Facility Ltd. has obtained a mortgage to pay for renovations on the building in which the Board rents office space. The Board is a joint guarantor with the British Columbia Milk Marketing Board on this mortgage in the amount of \$2 million each. The mortgage is up to date at December 31, 2011.

7. Line of credit

The Board carries an operating line of credit with the Royal Bank of Canada. The operating line entitles the Board to borrow a maximum of \$500,000 with interest at the bank prime rate, and is secured by all assets of the Board. The operating line was not utilized as of December 31, 2011.

8. Levies and license fees

Levies are imposed on egg producers by the Board and EFC. The Board acts as an agent to collect and remit levies to EFC. These levies are not included in revenue of the Board.

	2011	2010
Total levies and license fees collected from producers	26,905,657	23,245,498
Less: levies remitted to EFC	(21,935,737)	(18,339,917)
	4,969,920	4,905,581

9. Related party transactions

The Board provides operating grants to various Egg Producer Associations.

During the year the Board paid rent in the amount of \$103,800 (2010 - \$103,800) to Central Agricultural Facility Ltd. ("CAFL"). In addition, the Board received interest income in the amount of \$120,498 (2010 - \$39,000) from CAFL.



BC Egg Marketing Board Notes to the Financial Statements

For the 53 week period ended December 31, 2011

10. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The carrying amount of cash, accounts receivable, accounts payable and accruals and levies transferable is approximated by their fair value due to their short term nature.

Credit risk

The Board is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. In addition, there is a concentration of transactions carried out with entities with similar economic conditions such that they could be similarly affected by changes in economic conditions. The Board does not directly hold any collateral such as security for financial obligations.

The Board believes that credit risk and concentration of credit risk are limited due to the quality of parties extended credit and the history the Board has with these entities. The Board maintains allowances for potential credit losses and any such losses to date have been within management's expectations. These allowances are determined by consideration of economic conditions, historical information, and accounts past. The allowance is calculated on a specific identification basis. Amounts subsequently recovered which were written off are credited to the allowance accounting in the period of recovery.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk with respect to the prime plus advances made to the Central Agricultural Facility Ltd.

BC Egg Marketing Board **Notes to the Financial Statements**

For the 53 week period ended December 31, 2011

11. Pension plan

The Board's pension plan is administered by the Teamster's Union. Pension expense of \$42,905 (2010 - \$46,636) has been included in salaries and benefits.

12. Capital management

For its own purposes, the Board defines capital as net assets, which is the sum of invested in capital assets and unrestricted net assets. The Board is not subject to externally imposed requirements on capital. The Board's objectives when managing capital are to match generally the structure of its capital to the underlying nature and term of the assets and to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure. The Board holds cash and maintains a backup credit facility with a chartered bank to ensure sufficient liquidity.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.



BC Egg Marketing Board
Schedule of Expenses

For the 53 week period ended December 31, 2011

Schedule 1 - Schedule of Expenses

	<i>2011</i>	<i>2010</i>
Administrative expenses		
Amortization	136,552	129,185
Bad debts	-	54,636
Computer	55,998	38,609
Insurance	23,421	19,566
Legal	56,357	132,524
Miscellaneous	21,197	20,505
Professional development	46,084	38,687
Professional services	173,096	93,533
Rent	103,800	103,800
Repairs and maintenance	1,921	1,853
Salaries and benefits	1,361,050	1,256,374
Supplies and postage	30,062	34,884
Telephone	23,090	25,977
Travel	162,671	148,549
	2,195,299	2,098,763
Board expenses		
Annual general meeting	53,730	51,218
Association grants	95,901	79,943
Board members	423,836	369,879
Committees	28,712	32,687
DEPI	-	5,725
Events	61,934	43,750
Memberships	33,673	33,758
Professional services	72,241	21,420
Research and scholarships	91,370	106,875
	861,397	745,255



BC Egg Marketing Board
Schedule of Expenses

For the 53 week period ended December 31, 2011

Schedule 1 - Schedule of Expenses (cont'd)

	2011	2010
Marketing expenses		
Education expense	641	-
Memberships	-	614
Miscellaneous	5,089	4,835
Professional services	177,924	40,024
Retail and food services program costs	-	37,785
Spot promotions	70,805	36,555
Travel	18,545	8,009
	273,004	127,822
Communication expenses		
Miscellaneous	1,587	1,281
Professional services	153,459	76,236
Public relations	-	18,617
Spot promotions	49,058	3,955
Travel	993	1,909
	205,097	101,998
Provincial industrial product and post farm gate costs		
Industrial products costs	23,767,467	17,731,767
Farm pickup costs	935,462	936,001
Fowl removal	174,846	472,741
EFC recoveries	(22,077,273)	(16,594,119)
Fowl removal recoveries	(406,788)	(901,716)
Other	52,710	15,798
	2,446,424	1,660,472



BOARD OF DIRECTORS



RICHARD KING

PRIOR TO BECOMING THE CHAIR OF BC EGG MARKETING BOARD IN 2008, RICHARD KING WAS A PROUD MEMBER OF THE APPLE FARMING COMMUNITY. RICHARD AND HIS WIFE ROBYN HAVE TWO CHILDREN, A NEW GRANDDAUGHTER, AND FAMILY WEEKEND BREAKFASTS THAT USUALLY INCLUDE SCRAMBLED EGGS.



ARYN ALIBHAI

ARYN ALIBHAI HAS WORKED ON HIS FAMILY'S FARM SINCE 1987. TWELVE YEARS AGO, HE BECAME A REGISTERED PRODUCER WITH A FARM OF HIS OWN. A SELF-PROCLAIMED SUPPORTER OF SUNNY-SIDE-UP EGGS, ARYN IS HAPPILY MARRIED WITH TWO DAUGHTERS.



WALTER SIEMENS

WALTER SIEMENS IS A SECOND-GENERATION FARMER WHO GREW UP ON A LAYER FARM, BECOMING ACTIVELY INVOLVED IN HIS FAMILY'S FARM IN 1985. WALTER AND HIS WIFE ANNETTE HAVE TWO BOYS, TWO GIRLS, AND AN IMPRESSIVE INVENTORY OF DELICIOUS RECIPES USING EGGS.



KEN VANDERKOOI

A FIRST-GENERATION FARMER, KEN VANDERKOOI STARTED DAIRY FARMING IN 1971, BEFORE MOVING TO LAYERS IN 1994. ONE OF HIS SONS MANAGES THE HOME FARM WHILE ANOTHER IS ACTIVE WITH HIS OWN SPECIALTY LAYERS. IN ALL, KEN AND HIS WIFE HENRIETTA HAVE FOUR CHILDREN AND NINE GRANDCHILDREN. THAT'S A LOT OF EGGS.



FRED KRAHN

FRED KRAHN HAS BEEN INVOLVED IN THE EGG INDUSTRY FOR OVER 45 YEARS. HIS THREE SONS ARE ALL INVOLVED IN MANAGING DIFFERENT ASPECTS OF THE BUSINESS. IN ADDITION TO THEIR THREE BOYS, FRED AND HIS WIFE JUDY ALSO HAVE A DAUGHTER AND NINE GRANDCHILDREN. A HARD WORKER, IT'S NO SURPRISE THAT HIS FAVOURITE EGGS ARE HARD-BOILED.

OFFICERS AND COMMITTEES 2011 - 2012

CHAIR, RICHARD KING

VICE-CHAIR, FRED KRAHN

SECRETARY, WALTER SIEMENS

EPC DIRECTOR, FRED KRAHN

EPC ALTERNATE, KEN VANDERKHOOF

FINANCE COMMITTEE

WALTER SIEMENS, CHAIR

DODO GOETZKE

ART FRIESEN

JAMES GUNTHER

PRODUCTION MANAGEMENT COMMITTEE

AMYN ALIBHAI, CHAIR

DODO GOETZKE

BOB MARTENS

JACK VAANDRAGER

DWAYNE VANDERKHOOF

COUNCIL OF MARKETING BOARDS

WALTER SIEMENS

INDUSTRY
PARTNERS

AUDITORS

MEYERS NORRIS PENNY LLP

LEGAL COUNSEL

APFLECK HIRA BURGOTNE LLP

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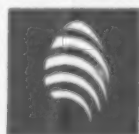
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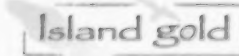


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 **UNITED AGRI**

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